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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7257
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 0953
RUEHBJ/AMEMBASSY BEIJING 1761
RUEHKA/AMEMBASSY DHAKA 4782
RUEHNE/AMEMBASSY NEW DELHI 4514
RUEHUL/AMEMBASSY SEOUL 8044
RUEHKO/AMEMBASSY TOKYO 5605
RUEHCN/AMCONSUL CHENGDU 1376
RUEHCHI/AMCONSUL CHIANG MAI 1427
RUEHCI/AMCONSUL KOLKATA 0234
RUEAIIA/CIA WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/DIA WASHDC
RUEHGV/USMISSION GENEVA 3548
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 1377
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000162

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STATE FOR EAP/MLS, INR/EAP, EEB/TFS
PACOM FOR FPA
TREASURY FOR OASIA, OFAC

E.O. 12958: DECL: 03/03/2018

TAGS: ECON EFIN PREL PGOV BM

SUBJECT: REGIME CRONIES CONTINUE WHEELING AND DEALING

REF: A. RANGOON 22

- 1B. 07 RANGOON 1095
- 1C. 07 RANGOON 1093
- 1D. 07 RANGOON 1113

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d)

11. (C) Summary. Regime crony Tay Za continues to do business in Burma and Singapore, as he looks for ways to circumvent U.S. sanctions. Within Burma, Tay Za's Htoo Group of Companies is expanding into new sectors. Tay Za plans to open a new shipping company in 2008, using two bulk freighters he recently bought from Korea. Embassy contacts confirm that Tay Za has been courting Russian companies, securing contracts in the mining, telecommunications, and oil and gas industries. Although Tay Za's Air Bagan continues to have financial and technical difficulties, Air Bagan plans to resume flights to Singapore by September 2008. Chit Khaing, a regime crony who is not yet included on the targeted sanctions list, continues to expand his tourism empire in Burma with the construction of two new hotels. End Summary.

Taking Burma By Sea and Air

12. (C) Tay Za continues his economic dealings in Burma and Singapore, diversifying his business portfolio and entering into new sectors. Embassy contact Anwar Hussain (PROTECT) confirmed that Tay Za recently traveled to Singapore to purchase two ships from an unnamed Korean company. Although the press reported that Tay Za purchased a tanker and a freighter, Hussain informed us that Tay Za actually purchased two 15,000 ton bulk carrier cargo ships, worth an estimated

\$10 million each.

¶13. (C) According to Hussain, Tay Za will start his own shipping line by mid-2008 to compete with government-owned Myanmar Five Star Shipping Lines. Tay Za received a \$10 million no-interest loan from the regime to purchase one of the ships. (Note: The Burmese regime has financed other Tay Za operations that compete with government-owned entities. The best example is Air Bagan, which directly competes with flag carrier Myanmar Airways. End Note.) Tay Za's ships will arrive in Rangoon by the end of April. The new company, yet to be named, will offer cargo shipping services for select trading companies.

¶14. (C) Although Tay Za's Air Bagan continues to struggle with high debt totaling more than \$10 million (Ref A), the company plans to resume flights to Singapore by September, Air Bagan General Manager Soe Win told us. There is a demand for more direct flights to Singapore and Air Bagan seeks to meet the aviation needs of the Burmese people, Soe Win declared. According to Soe Win, Air Bagan Chairman Tay Za will use his personal resources to finance the flight. Air Bagan plans to use one of its A310s, currently grounded because of lack of international flights, to fly to Singapore. The Singapore flight will not be a daily flight, Soe Win stated, noting that Air Bagan continues to fly to Seoul at least one a week for charter flights.

Courting Russian Businesses

¶15. (C) Embassy contacts have confirmed that Tay Za has made several trips to Nay Pyi Taw in 2008, arranging meetings with Russian investors and the senior generals. Tay Za recently signed an agreement with Russian-owned telecommunications

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company CBOSS, which will invest in the Burma's cyber city, Hussain told us. Tay Za is also working with several Russian mining companies, including Russkaya Mednay Kompaniya, to obtain production sharing contracts for nickel and copper mines in Burma (Ref C).

¶16. (C) Chevron representative David Peters told us that Tay Za recently entered Burma's oil and gas sector, acting as a silent partner with Russian-owned Silver Wave Sputnik Petroleum and Silver Wave Energy. Silver Wave Energy, which is registered in Singapore, and Silver Wave Sputnik signed a production sharing contract with the Myanmar Oil and Gas Enterprise in March 2007 for onshore block B2 in Sagaing Division. According to Peters, Silver Wave began seismic data collection and exploratory drilling in May 2007, costing the company more than \$20 million. The company has yet to find any oil reserves. Silver Wave also partnered with Indian-owned GAIL Petroleum in offshore block A7 in 2007. Silver Wave owns a 70 percent share in the block.

Investing in Mining

¶17. (C) Tay Za continues to expand into the jade mining industry, Embassy contact and owner of local construction company MSP Limited Khin Maung Win (PROTECT) told us. Htoo Trading has signed several agreements with companies in Phakant (Kachin State) including Myanmar Dagaung Co. Ltd and Morning Light Company, quietly funding and selling heavy machinery to companies in exchange for jade. In the past six months, since Htoo Trading entered into the jade business, the cost of a jade mining block lease has increased, forcing smaller companies out of the market. According to Khin Maung Win, a one-year lease for a one-acre jade block cost 300,000 kyat (approximately \$250) in 2006. By mid-2007, the cost of jade blocks had skyrocketed to 3 million kyat per acre (approximately \$2,500) for a one-year lease. Larger companies are able to secure three-year leases for jade blocks, although prices range between 10 million to 60

million kyat (\$8,300-50,000), depending on location and jade reserves. Unlike other companies which must sell jade at the MEHL's annual gem and jade auctions, Tay Za's company sells jade directly to buyers without paying MEHL's commission, Khin Maung Win said.

Additional Tay Za Companies

18. (SBU) Ref B included information on several of Tay Za's businesses in Burma. The following companies and properties are also owned by Tay Za:

--Aureum Palace Resort, New Bagan, Bagan, Mandalay Division;

--Aureum Palace Resort, Ward 6 Governor's Hill, Mandalay-Lashio Highway, Pyin Oo Lwin, Mandalay Division;

--Aureum Palace Resort, Ngapali Beach Rd, Ngapali, Rakhine State;

--Aureum Palace Resort, Ngwe Saung Beach Rd, Ngwe Saung, Irrawaddy Division;

--Espace Avenir Hotel and Apartments, 523 Pyay Road, Kamayut Township, Rangoon. Telephone: 95-1-505-213;

--Htoo Transportation Services, Pyay Road, Hlaing Township, Rangoon. Telephone: 95-1-500-344;

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--Le Moliere Restaurant, 49 Pyay Road, Hlaing Township, Rangoon. Telephone: 95-1-501-558;

--Myanmar Shopping Center, 143-149 Sule Pagoda Road, Rangoon. Telephone: 95-1-380-053;

--Myanmar Treasure Resort, Bathein, Irrawaddy Division;

--Myanmar Treasure Resort, Khayay Rd. Anawratha Quarter, Bagan, Mandalay Division;

--Myanmar Treasure Resort, Inle Lake, Shan State;

--Myanmar Treasure Resort, Mawlamyaing, Mon State (under construction);

--Silver Wave Energy, 5287 Thein Gyi Zei A Building, Kyauktada Township, Rangoon. Telephone: 95-1-242-828.

Chit Khaing's Tourism Expansion

19. (C) Chit Khaing, owner of construction company Eden Group and an up and coming crony, continues to expand his tourism empire in Burma (Ref D). According to Embassy contacts, Chit Khaing's Eden Group is currently constructing two new hotels in Bagan and Ngapali Beach, and plans to build additional hotels in Inle Lake and Ngwe Saung Beach by 2010. According to Eden Group officials, the Eden Resort in Bagan will open in 2008, and the resort in Ngapali Beach will open in 2009.

110. (SBU) The following are additional properties owned by Chit Khaing:

--Eden Garden Resort Hotel, Myothit, Taunggyi. Telephone: 95-81-242-45;

--Eden Group Office, Zayar Khemar Street, Kyaikwine Pagoda Road, Mayongone, Rangoon. Telephone: 95-1-662-229;

--Eden Resort Bagan, Bagan, Mandalay Division (under construction);

--Eden Resort Ngapoli, Ngapali Beach Rd., Ngapali, Rakhine State (under construction).

Comment

¶11. (C) U.S. sanctions may have complicated their lives, but Tay Za and other regime cronies continue to look for ways to circumvent U.S. sanctions and expand their business empires. For the majority of Tay Za's companies, it remains business as usual - not only can they maintain and open new offices abroad and trade with Asian partners, including China, Hong Kong, Korea, Singapore, and Thailand, but they continue to have access to financial services, which enable them to circumvent U.S. sanctions. As long as Tay Za and the other cronies can manage to circumvent sanctions, they can continue to funnel funds to Than Shwe and other top generals.

In turn, the generals will continue to direct new business opportunities to the cronies, allowing the generals to profit personally while the Burmese sink into worse poverty.

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